

BRIC By Brick... The Demographic Dream Unravels

By Shankkar Aiyar

(Bloomberg Quint)

In November 2001, Jim O'Neill at Goldman Sachs deployed the potential of demography as a force multiplier and postulated that large emerging market economies – Brazil, India, Russia, and China have the potential to alter the global economic order, that China would overtake the United States and India would be the third-largest economy by 2050. His evocative title for the group: BRIC. The report didn't grab attention in India till Octo...

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The report didn't grab attention in India till October 2003 when Dominic Wilson and Roopa Purushothaman detailed the concept to argue India has the potential “to show the fastest growth over the next 30 and 50 years” and “could raise its per capita income 35 times” by 2050.

The report's arrival was serendipitous. As India recorded three successive years of 9-plus percent GDP growth, successive governments adopted 'demographic dividend' as a mantra. Two decades later the dream of demographic dividend is stranded between popular aspiration and politics of dependence and despondency.

Earlier in August, India's most populous state Uttar Pradesh, home to over 200 million people, finalised draft legislation to achieve population control by enacting a law for a two-child norm.

Effectively it bestows incentives for those with two or fewer children; while those with more than two children cease to be eligible for government jobs and promotions, will face curtailed benefits, and cannot contest in elections.

## **Facts Flail In The Face Of Political Expediency**

Is there a population explosion? Apparently not! On July 23, the Government of India informed Parliament that “28 out of 36 States/UTs have already achieved the replacement level fertility of 2.1 or less” and that “The TFR of the country has declined from 2.9 in 2005 to 2.2 in 2018”. Data from the National Family Health Survey 2019 shows 14 of 22 states, for which results are out, to have a TFR of less than 2 – a higher fertility rate is closely related to poverty, the poorest states have higher TFR, and developed states have low TFR.

A week later the government was asked if there was “any proposal to bring either Population Control Bill or new laws to control population of the country” the government said, “no such specific proposal is presently under consideration” and added that India is a signatory to global declarations on reproductive rights.

The legal landscape is worth noting. While the union government has no proposal, states are free to legislate as population control comes under the Concurrent List of the Constitution.

Global realities of shrinking populations, higher dependency, and declining workforce numbers have scarcely informed political processes or policy. Indeed, the experience of China which changed its one-child policy in January 2016 following the deleterious effect of the 1980 policy has not dented the groupthink on population control.

The desire to redesign demography is accompanied by the urge to redefine backwardness to expand the enclaves of quotas. In the Monsoon Session this year, members of Parliament voted to pass the 105th Amendment to the Constitution enabling states to determine who is backward and thus eligible for reservations. Politicians across party lines chorused the demand for lifting/expanding the 50% cap on reservations imposed by the Supreme Court ruling in the Indira Sawhney case.

Bitter rivals Bihar Chief Minister Nitish Kumar and Tejashwi Yadav created a Kodak Moment last week by making a joint pitch to Prime Minister Narendra Modi for a caste census.

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— Tejashwi Yadav (@yadavtejashwi) August 23, 2021

The argument for caste enumeration is that swathe of backwardness far exceeds the narrow allowance of quota. Incidentally, in 2011 the Congress-led United Progressive Alliance government conducted what was called the “Socio-Economic-Caste-Census” but for unexplained reasons, the caste count was left out when findings were released. The original thesis for reservations was to correct the asymmetry of opportunity – enable those socially disadvantaged a shot at a better future. The push to expand the quota has travelled beyond the thesis. The new aspirants for reservations include Marathas, Jats, and Patidars who want a slice of the pie.

The parade of land-owning classes, with a legacy of political heft, agitating for reservations is a testimony to what didn't get done for two decades.

Demonstrators ride motorcycles during a protest organised by Marathas, in Mumbai, on Sunday, Nov. 6, 2016. (Photographer: Dhiraj Singh/Bloomberg)

## Where The Script Went Wrong

The construct of demographic dividend states economic growth has the potential to rise when the share of the working-age population (15 to 64) grows higher than that of the dependents. The seemingly linear correlation though requires fulfillment of necessary and sufficient conditions or as the BRIC Report put it “if development proceeds successfully”.

In his seminal 1996 paper ‘Determinants of Economic Growth, economist Robert Barro outlined the key catalysts of economic growth as higher schooling, improved health, lower government consumption, lower inflation, better law and order, and improvements in terms of trade.

Theoretically, every addition to the population carries the potential to raise output and income provided the state is an able facilitator. The state has flailed at the task. The strong political consensus for weak reforms has left every factor of productivity shackled.

The recast of demography aka burgeoning population from a harbinger of heroic potential to villainy by the political class, the clamour for proportionate reservations, is an implicit admission of lost decades. It is easy to ratchet rhetoric and harder to create enabling conditions.

That enough was not done to promote employment generation is reflected in the political relevance and economic need for the MGNREGS. Since its inception, the rural employment scheme has generated 3,620 crore person-days of employment at the cost of over Rs 7.5 lakh crore. There is also an anecdotal picture.

- In 2018, 93,000 candidates—3,700 PhD holders, 50,000 graduates, and 28,000 post-graduates—applied for 62 posts of messengers in the U.P. police.
- In July 2021, 12 lakh persons applied for 15,000 teacher posts in Uttar Pradesh.

A woman walks past an abandoned state-run school at a village in Banda District, Uttar Pradesh, on Oct. 11, 2020. (Photographer: Prashanth Vishwanathan/Bloomberg)

There has been no dearth of declarations, committees, and commissions. In 2002, the government drew a plan to create 10 million jobs a year – critical to the plan were non-farm jobs. In 2012, the 12th Five Year Plan revealed that a total of 56 million non-farm jobs were created

between 2000-01 and 2009-10 – the net addition to manufacturing jobs between 2000-01 and 2009-10 was a mere 6.6 million and that in services was 22.1 million.

The picture gets hazy thereafter. Plans, assessments were binned with the Planning Commission. The last major labour survey was in 2012. Inferences from Employees' Provident Fund Organisation registration limit the view to the formal sector. The periodic labour force survey is inconclusive and has triggered contentious debates.

In August 2017, the NITI Aayog in its 'Three Year Action Agenda' blithely declared that "unemployment is the lesser of India's problems. The more serious problem, instead, is severe underemployment".

In 2021, the Economic Survey informed Indians that agriculture continues to be the single largest employer, accounting for over 42.5% of an estimated 510 million workers. The break-up of data of the total employed is revealing – about 250 million or 52% of the workforce is self-employed, 122 million are salaried employees and 115 million are casual workers.

Comparison with China, which had a similar population challenge, is inescapable.

China sequenced its reforms – invested in health and education, modernised agriculture, opened FDI to expand industry and manufacturing, and leveraged demography riding the growth spurred by baby boomers.

Decentralisation of clearances enabled village and town enterprises to generate jobs and capture global market share.

The Sham Chun river marking the border between the Chinese city of Shenzhen, right, and the terraces of Hong Kong. (Photographer: Yan Cong/Bloomberg)

India's governments across two decades declared intent but struggled to implement change. India spends barely 1.25% of GDP on health and needs to double it. Spending on education needs to be ramped up from 2.5% to 6% of GDP. Nearly half the population has incomplete primary education as per United Nations Population Fund.

Agriculture, which is India's biggest private sector, is held hostage by archaic laws. The new farm laws, which can enable the induction of capital and technology, have been detained by a combination of policy intransigence and opportunistic politics.

The rise of 'soonicorn' and unicorn inspires hope. However, there is no running away from the fact that the much-celebrated potential of entrepreneurial spirit is shackled by permission/compliances *raj*. As Rishi Agrawal, CEO of Avantis Regtech, points out entrepreneurs must deal with "1,536 laws, 69,233 compliances and 6,618 filings."

Setting up a pharma unit, an MSME requires 87 licences while a small NBFC needs 35. Once set up units struggle with a plethora of compliance obligations. The pharma unit faces 992 compliances of which 442 deal with labour while the NBFC must deliver on 620 of which 238 deal with labour.

Technicians use a protein purification unit at a startup's laboratory in Bengaluru. (Photographer: Samyukta Lakshmi/Bloomberg)

## **From Destiny And Promise To Reality**

The arc of electoral expediency demands a saleable alibi, a villain, and a promise of prosperity at the end of the rainbow. The rash of legislation and the promise to expand the enclave of reservations may at best serve as a placebo. The spectre which could come to haunt India is up ahead. What is important to recognise is the scale of the challenge. India's 2020 population is estimated at over 1.39 billion of which 67% or nearly 925 million are of working age. By 2050 India's population will touch 1.63 billion – and the working-age population is expected to touch 1.11 billion.

Demography is not destiny. India's politicians are right to fear the looming spectre of rising working-age population and unemployment but both the cause and consequence are of their making. India needs structural reforms to propel growth. Effectively the demographic dream rests on the hope that India's rulers would tune policy to empower the willing millions. Without growth, politicians will only be left with poverty and promises to redistribute.

Shankkar Aiyar is a political-economy analyst and the author of *The Gated Republic: India's Public Policy Failures and Private Solutions*, *'Aadhaar: A Biometric History of India's 12-Digit Revolution'*; and *'Accidental India'*.

*The views expressed here are those of the author, and do not necessarily represent the views of BloombergQuint or its editorial team.*

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